

# Global Competitiveness Council Meeting

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**Museum of Flight  
Skyline Room  
December 8, 2005  
8:30 a.m. to 12:00 p.m.**

8:30 am – 8:35 am	Welcome and Agenda	Judith Runstad and Bob Watt (substituting for Alan Mulally)
8:35 am – 8:45am	Opening Remarks	Governor Gregoire
8:45 am – 9:15 am	Review of the State’s Economic Forecast	Dr. Chang Mook Sohn, Washington State’s Chief Economist Victor Moore, Director, OFM
9:00 am – 9:30 am	Priorities of Government (POG) and Government Management Accountability & Performance (GMAP)	Larisa Bensen, Special Assistant to the Governor for Government Management, Accountability and Performance (GMAP)
9:30 am – 11:30 am	Committee Reports – Preliminary Reports for Full Council Discussion <ul style="list-style-type: none"><li>• Infrastructure</li><li>• Marketing</li><li>• Political Environment</li><li>• Research &amp; Innovation</li><li>• Skills</li></ul>	All Committees – 20 minutes each  <i>(Each report should include 10 minutes of recommendations and 10 minutes of discussion by the full council.)</i>
11:30 am - 11:45 am	Scorecard	Tom Fitzsimmons
11:45 am – 12:00 pm	January Meeting Date	Judith Runstad and Bob Watt (substituting for Alan Mulally)
12:00 pm	Adjourn	

**The Museum of Flight**  
Skyline Room  
9404 East Marginal Way South  
Seattle, WA 98108-4097  
**Phone: 206.764.5720**

**Directions**

1. Going north or south on I-5, take exit 158. Go west.
2. Turn right at the first light (E. Marginal Way S.).
3. The Museum is on the right, 1/2 mile.

**Parking**

Free parking is available on-site.



**Inside the Building**

Proceed to the registration desk at the main entrance. Staff will be available to direct you to the meeting room.

**Global Competitiveness Council**  
**Committee on Skills**  
*Draft*

**Broad Vision**

The Global Competitiveness Council Committee on Skills believes Washington State must improve and strengthen its educational system to be competitive on a global basis. Education is a fundamental investment that can yield significant returns for Washington's citizenry, its economy, and its global standing.

The Skills Committee envisions a seamless educational system that raises the bar of educational expectations and achievements through a quality, standards-based system. The system that is envisioned will align state investments in education with projected workforce needs and address issues of equity and access to education.

**The Global Competitiveness Council Committee on Skills and Washington Learns**

Governor Gregoire has acknowledged the critical importance of an excellent education and requested the formation of Washington Learns, a comprehensive study to create a strong education system that will provide an educated citizenry and a thriving state economy. The Legislature approved the request and the 18-month study commenced in July 2005. The Skills Committee endorses Washington Learns' goals and looks forward to contributing to the final report in November 2006. It is not the intent of the Skills Committee to duplicate the efforts of Washington Learns but rather to focus our attention on issues and actions that sharpen the global competitiveness aspect of education reform.

**Washington Rankings in Education**

(Review of studies and findings from national studies, other states, and previous Washington studies.)

The education rankings demonstrate important facts about Washington's educational system as it relates to other states and other countries. Next, we will turn to proposals to address this situation and move the state forward.

**Priorities**

The Committee has identified the following priorities to focus efforts to improve education and bring education in Washington to a level that compares favorably with leading educational attainment internationally:

1. Create seamlessness by breaking down the barriers within the educational system;

2. Raise the bar of educational attainment for students and educators through a standards-based assessment system that supports, improves, and strengthens educational programs and measures Washington's students against international standards;
3. Increase resources and invest in education;
4. Prepare students for the workplace of today and the skills to adapt to the workplace of the future.

### **Elements of the Strategy**

For each of the priorities, we'll address two areas: where we want to be as a State in ten years and how we want to get there. Below, we put forward specific steps, both short-term and long-term.

### **Implementing the Strategy**

- A. ***Creating Seamlessness:*** in ten years the Committee envisions an educational system where there is a clear progression of skills and knowledge based on world-class standards that will prepare all students for a globally competitive work environment. We would expect that there will be extensive cooperation in preparation of curriculum and assessments across all levels of the educational system--from pre-k to higher education--, common expectations, and a shared vision of a successful education program.

We have identified the following short-term steps to move this vision forward:

- Seek funding to create a voluntary, web-based, model curriculum, beginning in mathematics, which is aligned to international and college-readiness standards such that post-high-school remediation is unnecessary.
- Develop data systems that provide information on student and system progress.

We have identified the following long-term steps:

- Provide universal pre-K services.
- Expand the model curriculum to include all subjects.

- B. ***Raising the Bar:*** in ten years the Committee envisions education-system-based standards that are comparable to the best educational systems in the world. These standards will prepare students to enter the workforce ready to meet the challenges of the global economy without the need for remediation.

We have identified the following short-term steps:

- Promote flexibility and innovation.
- Convene a panel of experts to identify appropriate international standards in key content areas.

We have identified the following long-term steps:

- Develop a curriculum based on international standards that is available on a voluntary basis statewide.
- Encourage districts to provide courses of study that expose students to different cultures, including the opportunity to learn world languages.

C. ***Investing in Education:*** in ten years the Committee envisions a system that provides the resources necessary to maintain the highest international standards, produces graduates ready to compete in the global economy, and is perceived by community and business leaders as an excellent return on investment.

We have identified the following short-term steps:

- Expand higher education enrollment slots.
- Support Washington Learns funding study efforts.

We have identified the following long-term steps:

- Present education to policymakers, business leaders, and the public as a quantifiable “return on investment”. Washington Learns would be a group to look to in leading this effort.
- Evaluate market-based responses to higher education funding, including different tuition levels for high demand, high cost areas.

D. ***Preparing the Workforce:*** in ten years the Committee envisions a system that aligns educational programs with workforce needs so that we can have the human resources necessary to compete effectively in the global economy.

We are supporting the following short-term steps from the Research and Innovation Committee:

- Create financial incentives for students, faculty, and institutions to focus on key disciplines necessary for economic growth.
- Connect to Skills Committees.

We have identified the following long-term steps:

- Align state investments with workforce needs.
- Enhance the skills training opportunities to K-12 students by collateralizing current efforts and taking an active interest in the skilled trades and in the portion of the workforce that does not have a bachelor’s degree.

**Global Competitiveness Council**  
**Committee on Political Environment**  
*DRAFT Only, November 22, 2005*

**Broad Vision**

The Global Competitiveness Council Committee on Political Environment believes :in order for Washington State to compete in the global market place, stability needs to improve within political process within state and local governments.

**List of issues affecting political stability**

- . The initiative and referendum process isn't really public anymore. It is too easy to change actions of the legislature.
- . The tax structure affects government resources.
- . There is a lack of resources for business recruitment and retention.
- . There is a lack of long-term goals or vision from the Legislature the business community can look to.
- . The cost of health care is becoming increasingly difficult to afford.
- . Public and private pension funds need to be stable.
- . Restoring confidence or honor in running for elected office.
- . Lack of a comparative understanding of the world's religions.
- . Evaluate the legislative structure in order to recruit and retain individuals to ensure quality and diversity. Are there too many political subdivisions in the state? Could the legislature look at interest-based negotiations?

**Elements of a Strategy**

A. Global Themes

1. Restore Civility and Dignity to:

- . Value Public Service.
- . Political and Elections Process.
- . Legislative and Regulator Process.
- . Attract civic-minded people to run for office.
  - a. Remove barriers to running and service in office (work with employers to insure that people serving in the legislature do not lose their position or career path in the private or public sector)
  - b. Look at the Ethic Commission and Public Disclosure Commission to determine if there are unnecessary or overstated rules or laws which discourage people from serving. (An important point was made that no one wants to weaken the intent of the Ethic Commission or Public Disclosure Commission, but are the rules reasonable and enforceable)

2. Develop a long-term global competitiveness vision for state.

- a. Decide on what we want Washington State to be in the future
- b. Develop an action plan which transcends political parties and the barriers in government to achieve it.
- c. Develop good information, communications and measurements to implement plan
- d. Look for non-traditional, innovative ways to resolve traditional disputes between interest groups
- e. Question: Is it time for a full-time legislature?
- f. Education---more concentration in our schools on civics and economics. Find ways to enhance economic education.
- g. Develop ways to restore public confidence and respect in government and the legislative bodies.
- h. Streamline the regulatory process and eliminate duplication and delays.
- i. Put real live people on the phones to answer questions that citizens may have with a regulatory agency or governmental entity.
- j. Develop predictability and eliminate uncertainty by regulators.

#### B. More Focused and Themes

1. Find other relief valves for voters other than the initiative and referendum process.
2. Provide good intelligence so if a business is endangered of closing or relocating, feed that intelligence to the right people in business and government to see if collective intervention can keep the operation in Washington and attract new investments to it.
3. Look at political subdivisions in the state to see if our state and local governments are running efficiently and cost effectively.

### **Implementing the Strategy**

#### **Education**

Develop a comparative religion component for K-12 curricula

Establish an educational relationship with our higher education colleges and China's colleges.

Develop a trade corp similar to the peace corp

#### **Political**

Legislature develops a global competitiveness vision

Create a fund for legislators to participate in trade missions (question –how to transfer the experience to other legislators)

Engage the public in a discussion about how the initiative and referendum process affects our ability to compete in world trade

Look at dispute resolution in the political process

Develop a better understanding between the space needle and goat rocks versions of the state

Develop and implement a better process to engage the public in issues affecting trade



**Global Competitiveness Council**  
**Committee on Research and Innovation**  
*Revised, December 1, 2005*

**Broad Vision**

The Global Competitiveness Council Committee on Research and Innovation believes that innovation and research hold the key to our economic future. Washington is home to large and small companies that are thriving in a globally competitive environment. We have some of the premier public and private research institutions and federal laboratories. We are home to some of the most visionary and successful philanthropic institutions. We are blessed with a quality of life and physical environment that draw thousands of long-term new employees and short-term international tourists every year.

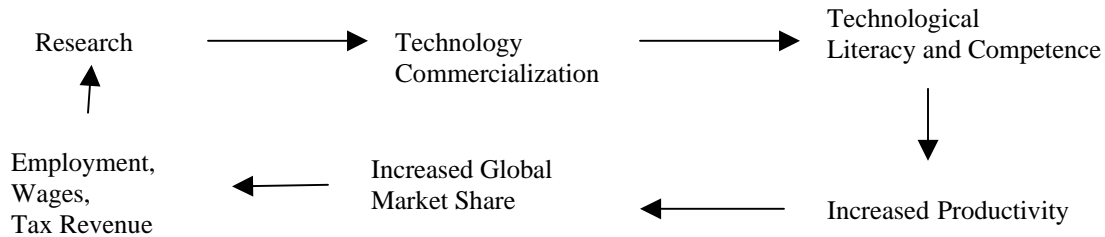
These strategic assets provide Washington with the potential for terrific success. But these are assets that require constant renewal and investment. To build on these assets and compete in the global economic, Washington needs to consciously and consistently promote an economic development strategy based on innovation. Research, innovation, and productivity gains – these elements of a competitive strategy are essential to future employment, living standards, and economic growth.

This strategy will not happen without significant public policy attention. For years, Washington has succeeded largely without the support of key public institutions. Our premier research institutions, for example, are among the top generators of private or federal research dollars, yet we are among the bottom states in terms of public research funding. Washington companies make enormous private investments in research and development, yet until recently state rules regarding the interaction of universities and private companies stifled collaboration. As more and more states turn away from “smokestack chasing” economic development strategies, the role of public policy in driving innovation and productivity becomes more significant and more compelling.

Promoting innovation and research as a foundation for growth will allow Washington to avoid one of the false tradeoffs that plague other economic strategies: The tension between economic growth and environmental quality. By adopting an innovation- and research-based economic strategy, Washington can maintain our world leadership in key sectors while maintaining the exceptional attractiveness of our environment. A beautiful, healthy environment is an increasingly rare attribute and a source of genuine competitive advantage in luring talented, creative people to Washington and encouraging current residents to live and work in our great state.

Public policy that promotes innovation will provide a foundation for recruiting world-class companies. It will provide a catalyst for the expansion and retention of businesses as they develop the next generation of products and processes. The Global Competitiveness Council Committee on Research and Innovation believe that research and innovation create a cycle of development that yield increased living standards and globally competitive businesses, following this general pattern:

### **The Cycle of Research, Innovation, and Economic Growth**



The Innovation and Research Committee proposes a broad 10-year vision that connects the importance of strong research and innovation with the:

- A. Creation of jobs;
- B. healthy economic growth and a high standard of living; and
- C. broad opportunity throughout the state's economy, reaching people of all backgrounds and in all the state's geographic locations.

Innovation holds the key to promoting the next generation of products. It is central to rejuvenating our mature industries like forestry and agriculture. It holds the promise of leading the world in new and unforeseen industries. It is key to the demand side of our economic engine and the supply side of our education and skills strategy. Only through research, innovation, and productivity can Washington compete globally and provide secure jobs and higher living standards.

#### **Elements of an Innovation Economy**

(Review of studies and findings from national studies, other states, and previous Washington studies).

#### **Role of Higher Education and Research in Fostering Innovation**

(Review of studies showing the linkages among higher education, research, innovation).

#### **Washington Ranking on Innovation**

(Review of key measures of the innovation economy).

Close section with something like: The rankings on innovation show three important facts about Washington's competitive situation in the Innovation Economy. (1, 2, 3). Next, we will turn to proposals to address this situation and move the state forward.

#### **Four Priorities**

The Committee has identified four priorities that together create a positive cycle for innovation and economic growth:

- A. Increase support for research, especially in universities;
- B. ensure a healthy transfer of technology and knowledge from universities to the commercial marketplace;
- C. promote the use of technology and innovation broadly throughout society, including businesses large and small, for people of all backgrounds and walks of life, and in all parts of the state; and
- D. prepare and engage the workforce for making use of these innovations.

### **Elements of a Strategy**

For each of the priorities, we'll address two areas:

- A. Where we want to be as a state in 10 years.
  - (1) This requires that we establish a baseline measurement of where we are today in each of the four areas.
  - (2) We'll define measurable outcomes that we want to create in 10 years.
- B. How we want to get there.
  - (1) We'll identify principal challenges that need to be addressed.
  - (2) Specific steps that we believe the state should take, both in the short-term (i.e., the 2006 legislative session) as well as the longer-term.

### **Implementing the Strategy**

#### **A. Research Support**

- Research universities are endangered due to an overall lack of competitive funding compared to peer institutions.
- Increase state funding for research and research-related institutions.
- "Bridge" funding for the Life Sciences initiative. This includes activities to increase administrative funding and secure non-state funds.
- Ensure quality as well as quantity for research.
- Develop strategies to recruit "star" academic researchers. Specifically, recruit and provide institutional support for nano-technology experts and other experts in vital future fields.

#### **B. Commercialization and Technology Transfer**

- Lack of incentives for public-private partnership.
- Lack of investment capital for some groups.
- Focus on healthy technology transfer, measured against number of companies created and licenses transferred.
- Steps to better promote technology and innovation access for small businesses and for minority- and women-owned businesses.
- Create a local grant process to promote local efforts around innovation zones, setting the stage for redirecting resources toward local concentrations of innovation in '07-'08.

- Promote and implement 2005 ethics rule changes. Establish measures of success for these activities.
- Increase Washington companies' access to the inventions and technologies generated by Washington research institutions.
- Develop shareable presentations on Washington's technology and innovation resources, strengths, and economic benefits.
- Develop inventory of funding sources for technology development and commercialization.
- Convene groups to encourage access to early stage capital; fund the Technology Alliance activity around angel investors.
- Develop tax policies to foster a vibrant entrepreneurial climate.
- Create strategies to address international concerns around intellectual property.

#### C. Broad Distribution of Technological Knowledge and Access

- Stronger focus on innovation challenges and opportunities outside Puget Sound.
- Engage business, labor, and the general public in discussions and forums regarding research and education as the future of our state economy.
- Develop strategies to diversify access and understanding of advanced technologies in workplaces, communities, and schools.
- Improve and expand entrepreneurial training.

#### D. Preparing and Engaging the Workforce for Innovation

- Lack of incentives for students, faculty, and institutions to focus on critical academic disciplines necessary for economic growth.
- Create financial incentives for students, faculty, and institutions to focus on key disciplines necessary for economic growth.
- Connection to work of the Skills Committee regarding education, while also recognizing that this is important for people who are already part of the workforce.
- Examine curriculum and institutional investments in higher education to evaluate preparedness for the innovation economy.
- Evaluate market-based responses to higher education funding, including different tuition levels for high demand, high cost areas.
- Develop an incumbent worker training strategy that promotes innovative work practices and technology adoption.

**Global Competitiveness Council  
Committee on Marketing  
DRAFT Only, December 6, 2005**

**Summary**

**Rally Message: Now is the time to engage a sustained marketing effort for the State of Washington!!**

*Why? A targeted and comprehensive marketing campaign will help Washington expand the future job base throughout the state AND help create the RIGHT kind of employment opportunities for our citizens. Attracting the right businesses to the state by matching the skills of our workers with the state's strongest industries. Targeting the right markets to match the competitive strengths of the state is key.*

*What If We Don't? By not targeting the jobs of the future, we are relying on chance to guide the economic development of the state. It is critical that we prepare and engage in a proactive effort to lead this state to the long-term economic prosperity we desire.*

**Positioning: Proper positioning of the state is what a marketing campaign is about**

**Funding: Funding must be derived from three primary sources and must be secure and predictable.**

- Leverage current resources across state government
- Secure additional state dollars
- Match state dollars with private funds

**Methodology: Following are some elements of an effective statewide strategy:**

- Statewide consistent message
- Identify our markets where you have a competitive strength and start there
- Identify our targeted industries and focus efforts there first
- Develop and maintain a 10-year strategy
- Hire marketing professionals for best results
- All efforts must be sustainable
- Partner, partner, partner

## **Broad Vision**

The Global Competitiveness Council Committee on Marketing believes the state should develop and implement a sustained, statewide marketing strategy to position Washington state globally competitive state and a premier location for business, products, services and education. Our reputation for “World Class Quality”, natural beauty and geographic location are significant advantage Washington has to effectively compete globally.

However, reputation alone will not suffice in the fast-paced, global environment. Washington must be diligent and work hard to promote its assets and position itself for the competitive world today and for the flattened world of tomorrow. This requires the foresight and an investment of state funds and resources today to secure our position in coming years.

The Marketing Committee proposes a strategy that will include leveraging comparative advantages and investing in projects with a 5-year, 15-year and 30-year vision. The outcomes of the implementation of an effective marketing strategy will:

1. Help companies successfully compete globally and better sell more Washington state products and services, which are request for their high quality around the world;
2. Attract additional family-wage employers to locate in Washington and contribute to a vibrant economy;
3. Bring tourists from across the country and around the globe to enjoy Washington’s natural beauty and contribute to the state’s local economies;
4. Enroll students in our world-class educational institutions to generate significant revenues and create well-informed fans about Washington State.
5. Secure consistent and predictable funding for sustained marketing.

## **Elements of a global marketing strategy**

### **Target Markets**

- In-state
- Regional

- National
- International (Current markets, emerging markets, mature markets)

#### **Target Customers:**

- Business to business
- Governments
- Institutions (Education, Hospitals, Ports)

#### **Strategy**

- Maximize Washington State's current resources – foreign offices and tourism contracts.
- Develop an “edgy” or “progressive” tag line  
“Washington State – the perfect place for...wine, life, business, etc...”

#### **Targeted Marketing Platform**

- Targeted marketing - tactic for Japan may be adjusted for specific market/product – food for example.
- Present a statewide, “umbrella” strategy that other regions, associations, etc. can choose to be a part of it.
- Organize around current targeted industries
  - Technology
  - Energy
  - Life Sciences
  - Agriculture (include organics and small family farms)
  - Value-added agricultural
  - Tourism
  - Wood Products
  - Aerospace
  - Education
    - the state website should link to the state college and
    - university websites to market the wealth of educational
    - opportunities/work force training, etc (unless it already does);
  - Arts and Culture
    - the website should also link to some type of website for the arts (Corporate Council for the Arts?) to show the wealth of cultural amenities – at least in the Puget Sound area (don't know if there's a state counterpart).
  - Under-valued real estate (eastern Washington)

*Both education and the arts relate to marketing to businesses that might be thinking of locating here in the state.*

- Develop positive images in eastern Washington
  - Wide open country
  - Friendly ranching communities
  - Family farming cornucopia

### **Elements of a Strategy**

For each of the priorities, we'll address two areas:

A. What current resources are available to achieve the priority?

Where we want to be as a state in 10/20/30 years.

- (1) This requires that we establish a baseline measurement of where we are today in each of the four areas.
- (2) We'll define measurable outcomes that we want to create over each period.

B. How we want to get there.

- (1) We'll identify principal challenges that need to be addressed.
- (2) Specific steps that we believe the state should take, both in the short-term (i.e., the 2006 legislative session) as well as the longer-term.

### **Implementing the Strategy**

- 1) Use current resources available
- 2) Secure the necessary funding and designated revenue streams to implement a comprehensive strategy
- 3) Leverage additional resources available
  - Ambassador Program and spokespeople
  - Regional Initiatives
  - Partners – associations, commissions, companies
  - Use local celebrities and talent to convey message
  - Four states regional approach



- Tribes
- State agencies (CTED, Agriculture, other)
- Tourism

<b>What Are We Marketing?</b>	<i>To Whom Are We Marketing?</i>				
	<b>Companies</b>	<b>Individuals</b>	<b>Regions/ Countries</b>	<b>Policymakers (Fed, State, Local)</b>	<b>Internal</b>
Tourism (cities, regions) Cruises		Eco tourism, agri tourism, public/private draws (e.g., Boeing), State 'stars'	4 State region and BC.		
Regions (Puget Sound, E Wash)	Recruitment – establish or relocate to WA	Tourism			
Our WA-based companies	Promote WA companies as business partners	Promote WA companies and products			
Products (e.g., agriculture, wine, etc.)	Promote WA products	Promote WA products			
Our Universities and Colleges		International student initiative			
Clusters (Aerospace, Energy, Forest Products, Life Sciences, Marine, Technology, Tourism)					
Political ("Govt. relations")			Trade missions; state visits, etc.		
"Washington" brand	Promote statewide	Promote statewide	Promote statewide	Promote statewide	Promote statewide
"Quality"	Broad-based theme	Broad-based theme	Broad-based theme		Broad-based theme
Importance of being globally competitive					Education, global literacy
Sense of Place					
Ports					

[illegible]

## Governor Gregoire's Global Competitiveness Council

### **INFRASTRUCTURE COMMITTEE**

(As of 12/6/05)

#### **Introduction and Overview:**

Competing in a global economy requires a reliable and sustainable physical infrastructure system for transportation, agriculture, manufacturing and trade. Growers in Washington must be assured of sufficient supplies of water for irrigation. Port infrastructure must be in place to assure quick transfer of cargo between ship and shore as well as the larger markets that depend on Washington as an international gateway. Manufacturers with an international customer base are dependent on the infrastructure of energy generation and transportation and on transportation links for moving goods between plants. And high speed telecommunications and efficient air travel for people and goods are key to any region desiring a global reach.

These infrastructure issues are the building blocks for a globally competitive economy. They are not new, but they take on a heightened importance within an international system of production and logistics that supplants the traditional marketplace and past business practices. The challenge is to focus on infrastructure improvements that seek to aide Washington's place in the world and to maintain that focus into the future. The state needs a "legacy of commitment" to funding and developing improved infrastructure. Quick fixes will not solve our need for greater transportation capacity, for reliable water supplies, or for broadband telecommunications able to bring the world to our desktops. In fact, committee members believe the state must take a long-term view in addressing these concerns.

The Infrastructure Committee commends the efforts already underway to tackle these challenges. The Puget Sound Regional Council's Prosperity Partnership Report issued in September 2005 includes numerous recommendations to improve crucial transportation corridors. Governor Gregoire is in the process of working with the ports of Seattle and Tacoma to develop an action plan to ensure these important international port gateways remain vital and competitive. The Washington State Legislature funded two valuable studies in 2005 which will provide needed direction on future rail capacity in our state and will provide insights about highway funding methods such as tolling.

With many infrastructure-related initiatives underway, the Committee is advancing to the Governor a set of short-term recommendations. The Infrastructure Committee suggests continued meetings in order to provide a global perspective to current initiatives and in order to develop longer-term recommendations.

#### **Infrastructure Committee Issue Goals:**

- **Telecommunications:**  
Pursue access for everyone to competitively priced, high-speed telecommunications.

- **Water:**  
Assure adequate water supply and water management for next 100 years.
- **Freight:**  
All products will have diverse options to reach destinations in a cost-effective and time-certain manner.
- **Energy:**  
Maintain an abundant and diverse supply of multiple, competitively-priced and reliable energy sources.
- **Air Transportation:**  
To provide air transportation capacity adequate to serve the needs of Washington citizens and businesses to reach overseas destinations and markets with competitive speed and efficiency and to make Washington highly accessible to international visitors and companies.

<h2>Summary of Short-Term Recommendations:</h2>
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- **TELECOMMUNICATIONS:**
  - 1) Continue work of Global Competitiveness Council to further develop strategies that will meet our goal by engaging multiple service providers, users and stakeholders in the process.
  - 2) Inventory and assess access to high-speed telecommunications service in Washington.
- **WATER:**
  - 1) Encourage Conservation.  
(Budget for research into conservation)
  - 2) Change laws and rules to allow multiple use, particularly of treated waste water.
  - 3) Create more storage for water (long-term recommendation).  
(Locate this storage as high in elevation and/or as far upstream as possible to provide greater opportunity for multiple use)

The Infrastructure Committee would also like to advance the short-term (1-5 years) components of the Washington State Department of Ecology water strategies.

- Adopt instream flows and watershed management plan recommendations across the state in a manner that protects instream resources and supports sustainable growth
- Establish market based approaches (e.g. water banks) for restoring flows and providing flexibility to water users
- Complete feasibility review and fund construction of new storage (underground aquifer and off-channel surface) facilities in a manner that meets growing water demands, enhances efficient water use and supports environmental quality
- Evaluate options and fund solutions that support existing agricultural and municipal groundwater needs in the Odessa Basin
- Support innovative approaches to improved water management as a key part of watershed plan implementation
- Build a comprehensive water monitoring system that provides publicly available data on water availability and use
- Develop statewide capacity to enhance the ability of local communities to access water thru: water reclamation, conservation, improved use efficiencies, etc.
- Negotiate settlements with willing Tribal Nations over the quantity of their water rights. Settlements will provide certainty and clarity as to future water availability for all parties

- **FREIGHT:**

- 1) Increase the amount of dedicated state funding for freight mobility projects.
- 2) Include in the Regional Transportation Investment District (RTID) a dedicated freight mobility allocation for priority projects.
- 3) The Washington State Departments of Agriculture, Transportation and Community, Trade & Economic Development should join with freight partners to communicate a jointly developed logistics and international trade message to inform political leaders and citizens of the importance of an efficient transportation system to our state's global trade economy.
- 4) Encourage the Governor to continue to work with federal agencies and Washington's federal delegation to ensure the security of our cargo movements without impeding the flow of commerce and that adequate federal resources are dedicated to international gateways.

- **ENERGY:**

- 1) Expedite siting of renewable energy resources in the state.
- 2) Expedite cost recovery of investments in renewable energy resource projects by electrical companies.

- 3) Facilitate the siting of electric transmission facilities.
- 4) Diversify the fuel supply by supporting a Washington alternative fuels sector.

- **AIR TRANSPORTATION:**

**Short-term** – Support the existing process, established by the 2005 Legislature, to assess existing air transportation capacity in Washington and determine market demand for additional facilities.

- 1) Provide inventory of existing facility and capacity;
- 2) Determine, through a marketing analysis, where demand is greatest for additional service or additional facilities;
- 3) Governor-appointed aeronautics council makes recommendations on development of additional air transportation capacity for state to supplement service at Sea-Tac.

**Intermediate Term** – Use market-driven process and products of state study to identify existing facilities or new sites for expansion of air transportation capacity to serve growing population areas and air freight markets.

<b>Background for Infrastructure Recommendations:</b>
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- **WATER**

**CONTEXT/ASSUMPTIONS:**

Improving our competitive position will result in growth over time.

Water is one of the resources needed to accommodate growth.

The hydrologic cycle is the process of having fresh water evaporated from the oceans and then return to the oceans.

Globally, the amount of fresh water in the hydrologic cycle is finite and fully renewable. It is also cyclical over time meaning periods of high flow and periods of low flow. It may be regionally changeable due to long term climatic changes.

Assuming the statement above to be true, there is no “new water”. There is only recycled water.

Short term manipulation of supply is possible through storage, conservation and multiple use.

Storage is natural or artificial diversion of water from the hydrologic cycle for the purpose of having that amount of water available for augmenting the natural cycle.

Conservation is the process of using less water in each use of water.

Multiple use is the process of using a stream of water that is diverted from the hydrologic cycle for more than one purpose.

The supply of water available to Washington State is that amount that falls on the state as rain, plus that amount which falls elsewhere and flows through or past the state, plus that amount Washington can procure elsewhere and transport to the state, plus that amount which can be artificially diverted from seawater (desalinization). The only amount actually belonging to the state is that amount which falls on the state.

Natural storage of water consists of surface (ice and lakes) and subsurface (aquifers) impoundments.

Artificial storage consists of man made surface or subsurface impoundments.

All storage is filled and refilled with water diverted from the hydrologic cycle.

## • **FREIGHT:**

### **CONTEXT:**

The health of Washington's trade economy depends upon the efficient movement of freight. Whether it is agriculture moving from Eastern Washington to markets in Asia, cargo coming off ships at the ports of Tacoma and Seattle and moving to distribution centers in Lacey, or Boeing airplane parts traveling on I-5 for assembly in Everett, the key to Washington's ability to successfully compete in an global economy is an effective transportation system.

The Infrastructure Committee recommends that the Governor set a goal emphasizing that manufactured goods and agricultural products move to destinations and markets in a cost-effective and time-certain manner. Without confidence in the state's ability to efficiently move the goods involved in international trade, our position in the global marketplace will suffer, and trade will move to other states and countries better able to meet the demands of shippers, manufacturers and growers. With one-in-three jobs in Washington state dependent upon international trade, we must make the needed investments in transportation to ensure Washington's role in the global economy remains secure.

The Washington State Legislature took important actions in 2003 and 2005 to enact transportation packages which started to make up for years of neglect in our state's system. There is more work to do, though, in order to ensure Washington can compete in a global economy. Main line rail capacity across our state is uneven and numerous choke points slow



down the entire system. Essential highway corridors from the ports of Seattle and Tacoma to distribution centers in the Kent Valley and further east to I-90 remain unfinished despite decades of planning. And, the state and its freight partners must do a better job of conveying to the public the importance of global economic competitiveness to Washington's future.

#### **Short-term Freight Recommendations:**

**1) Increase the amount of dedicated state funding for freight mobility projects.**

The 2005 legislature established the Freight Mobility account, which provides between \$12 and \$20 million annually for specific freight projects over the next 16 years. With well over \$400 million in strategic freight corridor projects on the Freight Mobility Strategic Investment Board (FMSIB) list alone, there needs to be a greater level of dedicated funding in order to better leverage partnership monies from federal, regional, local and private sources. The Infrastructure Committee recommends the Governor consider allocating some of the federal discretionary motor vehicle account funds of SAFETEA-LU to the State Freight Mobility account to provide greater leverage for the partnership funding of freight projects.

**2) Include in the Regional Transportation Investment District (RTID) a dedicated freight mobility allocation for priority projects.**

The RTID legislation passed by the State Legislature in 2003 directs 90% of the funding raised within a region to be dedicated to projects on "Highways of Statewide Significance". Should there be changes to this distribution formula which permits uses for a broader type of projects, the eligibility should include strategic projects which improve freight mobility in the Puget Sound region.

**3) The Washington State Department of Agriculture, Transportation and Community, Trade & Economic Development should partner with freight partners to communicate a jointly developed logistics and international trade message to inform political leaders and citizens of the importance of an efficient transportation system to our state's global trade economy.**

**4) Encourage the Governor to continue working with the federal agencies and federal delegation to ensure the security of our cargo movements without impeding the flow of commerce and to ensure that adequate federal resources are dedicated to international gateways.**

## **• ENERGY**

**1) Expedite siting of renewable energy resources in the state.**

The Energy Facility Site Evaluation Council (EFSEC) has the authority to certify, with the Governor's approval, construction of thermal electric power plants having generation capacity in excess of 350 megawatts, renewable energy resources of any size, and certain pipelines and electric transmission facilities. Several deficiencies exist in the law that prevents applicants who

propose to develop renewable energy projects from being able to utilize an expedited permitting process that EFSEC can employ for projects that have minimal environmental impacts.

The timeliness of construction of renewable energy projects (i.e., wind, biomass, landfill gas, geothermal, etc.) is critical. The relative cost-effectiveness of wind generation projects, in particular, compared to more conventional electric generation technologies, depends on a Federal Production Tax Credit that applies to a facility built and placed into service before December 31, 2007. These facilities should be permitted expeditiously. For that reason, the law allowing EFSEC to expedite review of project applications should be revised to accommodate renewable energy projects.

## **2) Expedite cost recovery of investments in renewable energy resource projects by electrical companies.**

An investor-owned utility has traditionally not been allowed to recover its capital investment in generation facilities until the asset has become “used and useful” and it has secured approval by the Washington Utilities and Transportation Commission (WUTC) to recover its costs through retail rates.

Investment in renewable resources becomes more attractive if there is more timely recovery of the costs associated with such a resource. Providing more timely recovery can be accomplished without compromising the opportunity for the WUTC, and other interested parties, to fully review the utility’s decision to invest in the renewable resource and determine the prudence of costs incurred by the utility to develop it. The WUTC currently has the authority to provide the accelerated recovery without new legislation.

Accelerated recovery of costs would be provided for the acquisition of all renewable resources including, but not limited to, hydroelectric, wind, biomass, and solar. The acquisition of renewable resources would include building new resources, upgrading existing resources, or contractual arrangements for new or existing renewable resources.

The utility acquiring a renewable resource should be able to file a request with the WUTC to increase retail rates to reflect the costs associated with the resource. The WUTC would make a decision on the rate request within 60-days of the utility’s filing. In this filing, the utility would explain, among other things, the need for the renewable resource, and the prudence of its costs. Rates to reflect the resource costs would become effective on or before the end of the 60-day review period, per a WUTC order. If the WUTC determines that further review of the utility’s decision to acquire the renewable resource and/or further review of the prudence of the costs is necessary, then the rates would become effective subject to later adjustment following the additional review.

## **3) Facilitate the siting of electric transmission facilities.**

The siting of new, and the expansion of existing, electric transmission facilities can be a difficult, if not a litigious, proposition. While it can be challenging for an electric utility to build transmission projects in rural areas, it can be even more so in densely populated communities. While Energy Facility Site Evaluation Council (EFSEC) permits construction of electric transmission facilities that directly connect an electric generation facility under its

jurisdiction to the regional power grid, cities and counties have authority to permit all other transmission facilities. Sometimes building a transmission facility involves multiple jurisdictions, any one of which could refuse to accommodate the project.

Economic expansion and population growth in urban areas have challenged the capacity of the electric transmission grid to maintain continuous power supply throughout the region, especially since most of the electric generation serving the more populous western Washington resides east of the Cascade Mountains and outside the state.

Congress recently enacted the Energy Policy Act of 2005, which has altered the relationship between the federal and state government with respect to siting interstate electric transmission facilities. The absence of a single state authority to permit construction of such facilities enables the Federal Energy Regulatory (FERC) Commission to exercise jurisdiction over them and allows it to confer powers of eminent domain to a project developer to acquire rights-of-way. Washington lacks the requisite state authority to prevent FERC from asserting its jurisdiction and preemptory powers.

Over several years, the Legislature has entertained various iterations of legislation to address this concern. The common element of these bills was a proposal to expand the authority of EFSEC over transmission facilities of certain size (capacity). Although local governments are generally reluctant to concede their authority over electric transmission facilities to EFSEC, giving EFSEC such power seems to be the most logical approach to addressing a problem that will only become more pronounced in the future.

## • **Air Transportation**

### **Context**

Efficient air transportation is critical tenant of any region's ability to compete in the global marketplace. In fact, no modern company of any size or reach makes a decision about locating physical headquarters, offices or plants without first examining the extent and ease of domestic and international transportation connections. It has become axiomatic that any city or region that hopes to compete at the international level must have good quality air service for both people and goods.

**Short-term** – Support the existing process, established by the 2005 Legislature, to assess existing air transportation capacity in Washington and determine market demand for additional facilities.

**1) Provide inventory of existing facility and capacity;**

**2) Determine, through a marketing analysis, where demand is greatest for additional service or additional facilities;**

**3) Governor-appointed aeronautics council makes recommendations on development of additional air transportation capacity for state to supplement service at Sea-Tac.**

**Intermediate Term** – Use market-driven process and products of state study to identify existing facilities or new sites for expansion of air transportation capacity to serve growing population areas and air freight markets.